

LESSON 1: BUDGET BASICS

GUIDING QUESTIONS

Why should I budget my money? How does the federal government's budget influence my life?

SUMMARY

A budget is a financial plan that shows the breakdown of money to be received and spent for a specific period. Budgets are important planning documents that are used by individuals, businesses, organizations and governments to ensure financial management, and that help outline priorities and achieve long-term goals. Without adhering to a proper budget, it is possible to fall into debt that can be difficult to pay off.

In this lesson, students participate in a personal budgeting exercise based on a fictional scenario. After learning about the Student Budget Consultation, students review the key concepts in budgeting and the Government of Canada's main expenditures and sources of revenue.

LEARNING GOALS

Upon completion of the lesson, students will be able to:

- Demonstrate critical thinking skills about spending choices and financial decisions;
- Analyze the consequences of poor financial management;
- Explain the key concepts and terms associated with budgeting;
- Describe the Government of Canada's main expenses and sources of revenue; and
- Assess why citizens should participate in budget or government consultations.

RESOURCES

- Activity Sheet 1.1: Personal Budget Plan
- Handout 1.2: Financial Profiles
- Handout 1.3: Expense Cheat Sheet
- Activity Sheet 1.4: Budget Basics
- Video: 'Introduction to the 2019 Student Budget Consultation'
- *Budget Basics* videos (animated videos explaining the federal budget process)
 - Video 1: The Government of Canada's Budget
 - Video 2: The Government of Canada's Expenditures
 - Video 3: The Government of Canada's Revenues
- Slide Deck A: Budget Basics
- Slide Deck B: The Government of Canada's Expenditures
- Slide Deck C: The Government of Canada's Revenues

Teacher Note: The videos and slide decks contain similar information, so it is not necessary to utilize all of these resources in your classroom.

LESSON

Introduction: 25-30 min

1. Introduce the concept of budgeting. Ask students if they plan in advance how they spend their money, or if they have ever had to make a plan for how they would save or spend a large sum of money.
2. Divide students into groups and provide each group member with a copy of the 'Personal Budget Plan' (Activity Sheet 1.1) and the same financial scenario from Handout 1.2.
3. Prior to the activity, take students through an example of how to use the 'Personal Budget Plan' (Activity Sheet 1.1) using an overhead projector or Smartboard.

Teacher Note: It might be helpful to review some average cost estimates for your local area (e.g., rent, transit, food) or use national estimates (Handout 1.3) to provide students with a more realistic sense of potential expenses.

4. Using the 'Financial Profile' assigned, students should individually plan their monthly expenses according to the money they have to work with for their scenario. While some expenses are fixed, others will be left for students to decide upon.
5. Afterwards, have students share their spending choices within their groups. Then have each group try to come up with budget plan they can all agree on.
6. Debrief on the activity as a class. Guiding questions:
 - Was it challenging to budget your money? Why or why not?
 - Did you end up having enough money each month? Were you able to save money or would you have to borrow money to meet your wants/needs?
 - Was it easy to agree on a group budget? Why or why not?
 - Why is it important to budget? What are the possible consequences if you do not budget your money?

Instruction and Action: 20-30 min

1. Watch the 'Introduction to the 2019 Student Budget Consultation' video with Minister of Finance Bill Morneau and review the idea of pre-budget consultations.
 - As part of the budgeting process, governments of all levels consult with citizens, stakeholders, opposition parties and economists each year to get their views and recommendations about government spending priorities, revenue adjustments and how best to support the country's economy.
 - The Government of Canada's Department of Finance and the House of Commons Standing Committee on Finance host pre-budget consultations with citizens and stakeholders through in-person meetings, written submissions, online questionnaires and virtual town halls to reach a broad audience throughout the country. These consultations will launch in November 2018 for Budget 2019 (which will likely be tabled in February or March 2019).
 - Young Canadians across the country have been invited to take part in the 2019 Student Budget Consultation, a program coordinated by CIVIX.

2. Using Video 1 and/or Slide Deck A, provide an overview of the following key budget terms and their relevance at the federal level of government:

- Income/Revenue: 'money in', money received, money earned;
- Expenses/Expenditures: 'money out', money spent, costs, payment for goods or services;
- Surplus: excess, when you have more revenues than expenses, a positive fiscal balance;
- Deficit: deficiency, when you have more expenses than revenues, a negative fiscal balance, budget shortfall; and
- Debt: the amount you have borrowed over time and need to repay, an accumulation of months or years of a deficit, an amount of borrowings.

3. Using Video 2 and/or Slide Deck B, provide a summary of the Government of Canada's expenditures:

- Transfers (to people, governments, other organizations);
- Program expenses (operating expenses of approximately 130 departments, agencies and crown corporations); and
- Interest on the national debt (debt charge on the amount of total borrowings).

4. Using Video 3 and/or Slide Deck C, provide a summary of the Government of Canada's revenue sources:

- Taxes (personal, corporate, GST, other taxes);
- Employment Insurance premiums (paid by employers and employees); and
- Crown earnings (investments, sale of goods and services, crown corporations).

5. Ask students to fill out Activity Sheet 1.4 to summarize key information from the videos and draw connections to their own life. Students can review the videos and slide decks, or seek out additional sources.

- In your own words, write a definition for **budget**.
- Would you rather have a **surplus** or a **deficit**? Why?
- Explain the terms **deficit** and **debt**, and how they relate to each other.
- Describe the different types of **transfer payments** and provide examples for each.
- Select three government departments or programs and explain how they relate to or directly affect your life.
- Identify two ways in which the federal government collects revenue and draw connections to you or your family.
- If you were Canada's Minister of Finance, and you realized you did not have enough revenue, what would you do? Why?

Consolidation: 5-10 min

Have a closing discussion about the Student Budget Consultation. Alternatively, ask students to prepare a written reflection.

- Do you think it is important for you to care about the federal budget? Why or why not?
- Why should the government be consulting with youth about the budget, or any other public policy?

Ask students to fill out an Exit Card (Activity 1.5).

EXTENSION ACTIVITIES

- A. Canadian students face increasing amounts of debt following the completion of their post-secondary education. According to the Canadian Federation of Students, the average university student leaves school with approximately \$25,000 in debt. According to research, it takes most students between six and seven years to pay off this debt – with some students requiring significantly longer. This has serious social and economic implications, as young people will likely postpone traditional milestones such as getting married, buying a home and starting a family due to debt payments and interest. This also impacts general spending habits, which influence the economy.

Distribute various news articles to students about the issue of growing student debt in Canada. Have students read and summarize the information and present it to the class.

Debrief: Do you think student debt is an important issue? What is the impact of student debt on young Canadians, as well as on society and the economy? Do you think that being more knowledgeable about budgeting make you more likely to avoid student debt?

Recommended articles:

- ["10 Millennials Across Canada Reveal How Much Student Debt They *Really* Have," *Flare* \(June 5, 2018\)](#)
- ["How the student-loan crisis is putting young Canadians — and their futures — at risk," *TVO* \(May 28, 2018\)](#)
- ["Canadian students owe \\$28B in government loans, some want feds to stop charging interest," *Global News* \(May 21, 2018\)](#)
- ["Student debt: The crippling side effect of education," *Financial Post* \(March 6, 2018\)](#)

- B. Canadian household debt has grown significantly over the last decade, and officials warn that household spending is out of control. While Canadian interest rates are relatively low, they have risen over the past year. What is concerning is that, at some point, interest rates will 'spike' and many households may be too financially stretched to cover the increased amounts they will be required to pay on their borrowings (such as mortgages, car payments and bank loans). Share news articles about the issue of household debt, and discuss the impact on Canada's economy.

Recommended articles:

- ["Bank Of Canada Interest Rate Hikes Will Cost Canadian Households \\$2,500 A Year: Report," *Huffington Post* \(October 29, 2018\)](#)
- ["Canada's household debt flashes red in Morgan Stanley risk report," *Bloomberg News* \(October 29, 2018\)](#)
- ["Homeowners worried about paying down debt as interest rates go up," *CBC News* \(October 22, 2018\)](#)
- ["Canadians' household debt is creeping back up again," *The Canadian Press* \(September 14, 2018\)](#)
- ["Canada's Economy and Household Debt: How Big Is the Problem?," *Bank of Canada* \(May 1, 2018\)](#)

- C. In October 2018, CBC News created a series of online stories called 'Debt Nation' to examine the current state of consumer debt in Canada. An overview of the series can be found at this link, with additional stories available on the CBC website: <https://www.cbc.ca/news/business/debt-nation-overview-1.4870679>

Have students review articles from the 'Debt Nation' series, and ask them to write a reflection about the issues shared (such as car loans, mortgages and credit card debt), and their direct impact on Canadians. When you think about your own future finances, are you concerned about these issues? How can you prepare now to address them?

- D. A survey of "financial guilty pleasures" cited that eating out was the most popular indulgence for Canadians. In fact, 72 per cent of Canadians dine out, and 71 per cent order takeout, more than a few times a month – this would add up to about \$200 per person. This marks a major shift from past generations, where eating out was less common and even considered 'frivolous.'

Guiding questions: do you think it is irresponsible to spend money on something that may not be necessary, if it brings you happiness? Other examples could include movies, video games, concert and sports tickets and vacations. Should Canadians put their 'needs' before their 'wants', and instead focus on saving for essentials? To what extent should there be a balance?

ADDITIONAL RESOURCES:

- Student Budget Consultation website – <http://budgetconsultation.ca/>